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SIPDIS

SENSITIVE

STATE FOR AF/S
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER
USDOC FOR 2037 DIAMOND
TREASURY FOR OREN WYCHE-SHAW
PASS USTR FLORIZELLE LISER
STATE PASS USAID FOR MARJORIE COPSON

1E. O. 12958: N/A
TAGS: [ECON](#) [EINV](#) [PGOV](#) [ZI](#)
SUBJECT: "Export or Die" for Mutare Businesses

Ref: Harare 1955

11. (U) Summary: Zimbabweans in and around Mutare, the country's third largest city, continue to fare better than most countrymen. On a recent sojourn, we observed the same U.S. dollar/local crevice found in Masvingo (ref). Clearly, however, Mutare's export sector enables more to reach the privileged USD economy. A new MDC mayor's challenge is tapping that export revenue to shore up dilapidated public services. End Summary.

Only Hope Is to Export

12. (SBU) The local Zimbabwe National Chamber of Commerce (ZNCC) rep underscored the economy's duality. Receptionists earn Z\$ 250,000 (US\$44)/month at exporter Border Timbers but Z\$ 55,000 (US\$10) at non-exporting companies. Many local women have become cross-border traders since Mutare is only a short drive from Mozambique. They buy whatever is cheaper or less scarce in one country, then sell in the other. Small but well-established timber companies told us they aspire to become exporters, "the only way to earn real money," but struggle to get off-shore USD financing. With Zimbabwean coal producer Wankie Colliery in shambles, firms say they must import coal and other inputs from South Africa - no easy task without a USD source.

13. (U) At the same time, a visit to a rural community near Mutare reaffirmed how taxing life has become for those strictly on the local economy. We toured a 550-pupil private school that charges only Z\$1,500 (US\$.26) tuition for the academic year (due to support from a religious body). Still, the headmaster explained that half the children's families were unable to afford even that tuition and received assistance from a variety of charities. The school's highest paid employee earns Z\$200,000 (US\$35)/month. Owing to inflation and lack of other savings vehicles (interest rates are 350 percent negative), a plot of land that fetched Z\$3,000 five years ago has now been bid up to Z\$1,700 million, affordable only to those with access to hard currency.

New Mayor's Challenges

14. (SBU) Incoming MDC Executive Mayor MT Kagurabadza gave us a quick tour of the poorest shantytowns in Mutare. He opined that the previous ZANU-PF municipal government had essentially tossed in the towel on public services. The Mayor showed us the parking lot for official vehicles, 90 percent of which are inoperable. The city has no working fire engine and a single ambulance. Since it lacks funds to buy tar, municipal workers merely fill in potholes with gravel, returning every two weeks. With only one functioning garbage truck, piles of disease-spreading trash accumulate for three weeks at a time. A public swimming pool, the former summertime destination for thousands of poor kids, has been closed for the past three years due to a missing part worth only several thousand zimdollars.

Comment

15. (SBU) Obviously, Mayor Kagurabadza desperately craves outside assistance. He acknowledged the contradiction of an MDC that does not want the outside world to repair the national economy with President Robert Mugabe's ZANU-PF in power - but now invites aid to the country's large MDC-administered cities. We suggested he try to tax Mutare's export revenue, if legally possible on a local level, or appeal to the social responsibility of export firms to help restore the city's public services.

Sullivan